Inequities exposed: How COVID-19 widened racial inequities in education, health, and the workforce

Testimony before the U.S. House of Representatives Committee on Education and Labor

Testimony • By Valerie Wilson • June 22, 2020

Watch the video here. Written testimony below.

Chairman Scott, Ranking Member Foxx, and distinguished members of the Committee on Education and Labor, thank you for the opportunity to testify today. My name is Valerie Wilson and I am a labor economist and director of the Program on Race, Ethnicity, and the Economy (PREE) at the Economic Policy Institute (EPI) in Washington, D.C. EPI is a nonprofit, nonpartisan think tank created in 1986 to include the needs of low- and middle-wage workers in economic policy discussions. EPI conducts research and analysis on the economic status of working America, proposes public policies that protect and improve the economic conditions of low- and middle-wage workers, and assesses policies with respect to how well they further those goals. In 2008, EPI launched PREE to provide a more focused and integrated approach to exploring and explaining how race, ethnicity, gender, and class intersect to affect economic outcomes in the United States.

My testimony draws from a recent report I co-authored with my EPI colleague, Elise Gould, titled “Black Workers Face Two of the Most Lethal Pre-existing Conditions for COVID-19: Racism and Economic Inequality,” as well as over 20 years of experience in conducting research on racial and economic inequality. I will discuss evidence to date of the racially disparate impact of COVID-19 on the economic and health insecurity of American workers, and the large and persistent inequities that were predictive of the
needlessly heavy burden born by Black workers, in particular. I will conclude by recommending solutions for avoiding prolonged effects of the pandemic long after the immediate crisis is over while helping to narrow persistent racial disparities in the labor market.

“We’re all in this together” has become a rallying cry during the coronavirus pandemic. While it is true that COVID-19 has affected everyone in some way, the magnitude and nature of the impact has been anything but universal. Evidence to date suggests that Black and Hispanic workers face much more economic and health insecurity from COVID-19 than white workers.

Although the current strain of the coronavirus is one that humans have never experienced before, the disparate racial impact of the virus is deeply rooted in historic and ongoing social and economic injustices. Persistent racial disparities in health status, access to health care, wealth, employment, wages, housing, income, and poverty all contribute to greater susceptibility to the virus—both economically and physically.

There are three main groups of workers in the COVID-19 economy: those who have lost their jobs and face economic insecurity, those who are classified as essential workers and face health insecurity as a result, and those who are able to continue working from the safety of their homes. Unfortunately, Black, Latinx, Native American, and low-income workers are least likely to be in that last group, leaving them with few good options to protect both their health and economic well-being.

While each of the groups I just named share similar experiences that make them more susceptible to death and economic devastation as a result of COVID-19, my research is primarily centered on Black workers, as my testimony will reflect. I want to make clear that this in no way minimizes the challenges and struggles of other racial and ethnic groups. Rather, history has shown that progress made toward equal rights and equal opportunity for Black Americans has also expanded opportunity and opened doors for all marginalized communities.

**Spiking unemployment rates**

Black workers have suffered record numbers of job losses during the COVID-19 recession, along with the ensuing related economic devastation. They also are disproportionately found among the essential workers in the economy today—continuing to go to their workplaces, risking their health and that of their families because they are unable to sustain adequate social distance from their co-workers and customers.

The latest national data available to assess the impact of job losses is the Current Population Survey for May 2020. After falling by 22.1 million between February (the official start of the COVID-19 recession) and April, payroll employment rose by 2.5 million in May. This is likely due to the fact that 31 states started lifting stay-at-home orders, or easing restrictions, within the reference period. In spite of this modest improvement, jobs losses
A more comprehensive look at skyrocketing unemployment rates

Unemployment rates for Black, Hispanic, and white workers, by gender, February–May 2020

<table>
<thead>
<tr>
<th>Group</th>
<th>February</th>
<th>May</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>White men</td>
<td>2.9%</td>
<td>2.8%</td>
<td>-0.1%</td>
</tr>
<tr>
<td>White women</td>
<td>10.7%</td>
<td>13.1%</td>
<td>+2.4%</td>
</tr>
<tr>
<td>Black men</td>
<td>5.8%</td>
<td>15.5%</td>
<td>+9.7%</td>
</tr>
<tr>
<td>Black women</td>
<td>4.8%</td>
<td>16.5%</td>
<td>+11.7%</td>
</tr>
<tr>
<td>Hispanic men</td>
<td>3.2%</td>
<td>15.1%</td>
<td>+11.9%</td>
</tr>
<tr>
<td>Hispanic women</td>
<td>4.9%</td>
<td>19.0%</td>
<td>+14.1%</td>
</tr>
</tbody>
</table>

Note: Workers, age 20 years and over.

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since February still total 19.6 million, and payroll employment is currently 13% below its February level.¹

The national unemployment rate declined to 13.3% in May (down from 14.7% in April), but this rate is still up nearly 10 percentage points since February.² This overall rate of unemployment also masks huge disparities by race and gender. As of May 2020, the Hispanic unemployment rate was highest at 17.6%, followed by the Black unemployment rate at 16.8%, the Asian unemployment rate at 15.0%, and the white unemployment rate at 12.4%. Women have been hit especially hard during this recession. As shown in Figure A, across all racial and ethnic groups reported by BLS, women's unemployment rates were higher than those of men. In May, Hispanic women had the highest unemployment rate at 19.0%, followed by Black women at 16.5% and white women at 13.1%. It is also important to note that the unemployment rate of women and men in all racial and ethnic groups remains higher than the previous overall high of the Great Recession—10.0% in 2009.

Falling employment-to-population ratios

The unemployment rate is a commonly used measure of labor market slack. One limitation, however, is that it relies on would-be workers to either be on temporary layoff or
have looked for work in the last four weeks to be counted as unemployed. In this economy, with the health requirements to stay home and with sectors being completely decimated, it is likely that many would-be workers are not actively looking for work and therefore would not be counted in the official unemployment rate. Given these unique circumstances, policymakers should consider additional measures for evaluating labor market slack, including the employment-to-population ratio (EPOP), or the share of the population with a job.

Employment losses were stark across racial lines between February and May. Hispanic and Black workers saw greater losses in employment than white workers (12.3, 9.8, and 7.9 percentage-point losses, respectively). Approximately one in six Black workers and nearly one in five Hispanic workers lost their jobs between February and May.

**Black-owned businesses are more concentrated in industries hardest hit by COVID-19**

Providing support to small businesses has been a top priority of legislation designed to lessen the harmful economic effects of the pandemic. While less than 10% (9.4%) of all U.S. business owners are Black, Black-owned businesses are more concentrated in industries hardest hit by reduced demand during the pandemic. According to a recent analysis of government data, more than 40% of Black business owners reported they were not working in April, compared with only 17% of white business owners. Given that the overwhelming majority of Black-owned businesses (95.8%) are self-employed individuals and the sole employee of the business, this represents yet another dimension of disproportionate job losses experienced by Black workers during the pandemic.

According to the Bureau of Labor Statistics, the industries with the largest total job losses in April, and therefore most immediately affected by reduced demand, were in accommodation and food services, retail, and health care and social assistance. 27.6% of Black-owned businesses are in those three sectors, compared with 19.7% of white-owned businesses. The large number of job losses in these industries is due in part to the fact that they employ many more people than other industries.

Another way of measuring the impact of losses is to consider job losses as a percentage of the previous month’s payroll employment. This will capture industries that include many more small employers that experienced a sharp decline in employment. Based on this measure, the largest percentage losses in payroll employment were in arts, entertainment, and recreation; accommodation and food services; and other services. These three industries account for almost a third of Black-owned businesses (32.3%), but just 18.8% of white-owned businesses.
Black workers are more likely to be in front-line jobs that are categorized as ‘essential’—forcing them to risk their own and their families’ health to earn a living

Not only are Black workers losing their jobs at an incredible pace, those who aren’t losing their jobs are more likely to be found on the front lines of the economy in essential jobs. Rho, Brown, and Fremstad (2020) conducted an important and useful study of six sectors of the economy that are considered essential and in which most workers are on the front lines of the COVID-19 labor market. Their results show that Black workers make up a disproportionate share of these essential workers who are forced to put themselves and their family members at additional risk of contracting and spreading COVID-19 in order to put food on the table.

Black workers make up about one in nine workers overall; they represent 11.9% of the workforce. However, Black workers make up about one in six of all front-line-industry workers. They are disproportionately represented in employment in grocery, convenience, and drug stores (14.2%); public transit (26.0%); trucking, warehouse, and postal service (18.2%); health care (17.5%); and child care and social services (19.3%). While, in the near term, this protects them from job loss, it exposes them to greater likelihood of contracting COVID-19 while performing their jobs.

Underlying economic factors exacerbate the effect of the COVID-19 recession on Black workers and their families

Black workers and their families were economically insecure before the pandemic tore through the United States. The pandemic and related job losses have been especially devastating for Black households because they have historically suffered from higher unemployment rates, lower wages, lower incomes, and much less savings to fall back on, as well as significantly higher poverty rates than their white counterparts. This prior insecurity has magnified the current economic damage to these workers and their families.

Higher unemployment rates

Historically, Black workers have faced unemployment rates twice as high as those of their white counterparts. When the overall unemployment rate averaged 3.7% in 2019, the white non-Hispanic unemployment rate was 3.0% and the Black unemployment rate was twice as high, coming in at an average of 6.1% over the year. This difference cannot be explained away by differences in educational attainment. Figure B shows that at every level of education, the Black unemployment rate is significantly higher than the white unemployment rate, even for those workers with college or advanced degrees.
Black workers are far more likely to be unemployed than white workers at every level of education

Unemployment rates by race and education, 2019

<table>
<thead>
<tr>
<th>Education Level</th>
<th>Black</th>
<th>White</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than high school</td>
<td>3.0%</td>
<td>14.7%</td>
</tr>
<tr>
<td>High school</td>
<td>3.9%</td>
<td>8.3%</td>
</tr>
<tr>
<td>Some college</td>
<td>2.9%</td>
<td>4.9%</td>
</tr>
<tr>
<td>Bachelor’s degree</td>
<td>2.2%</td>
<td>3.4%</td>
</tr>
<tr>
<td>Advanced degree</td>
<td>2.3%</td>
<td>1.7%</td>
</tr>
</tbody>
</table>

**Notes:** White refers to non-Hispanic whites, black refers to blacks alone. Educational categories are mutually exclusive and represent the highest education level attained for all individuals ages 16 and older.

**Source:** Economic Policy Institute, *State of Working America Data Library, [Unemployment by race and education]*, 2019.

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**Significant wage gaps**

Among the employed, Black workers face significant pay penalties. No matter how you cut the data, Black workers face significant pay gaps in the labor market, and research has shown that these pay gaps have grown since 2000 and in the decades before. On average, Black workers are paid 73 cents on the white dollar. We know from a host of economic research that a person’s wages are not a simple function of individual ability. Instead, workers’ ability to claim higher wages rests on a host of social, political, and institutional factors outside their control. Because of historic and current privilege in the labor market, white men enjoy exceptionally high wages. Therefore, the gap between white men and Black men is particularly stark. Black men are paid only 71 cents on the white male dollar. Black women, who face both gender and race discrimination, are paid even less—64 cents on the white male dollar.

As Figure C shows, Black–white wage gaps persist across the wage distribution as well as at different levels of education in the pre-pandemic economy. The Black–white wage gap is smallest at the bottom of the wage distribution, where a wage floor—otherwise known
as the minimum wage—keeps the lowest-wage Black workers from being paid even lower wages. The largest Black–white wage gaps are found at the top of the wage distribution and are explained in part by occupational segregation—the underrepresentation of Black workers in the highest-wage professions and overrepresentation in lower-wage professions—and the pulling away of the top more generally.

Similarly, across various levels of education, a significant Black–white wage gap remains. Black workers can’t simply educate their way out of the gap. Even Black workers with an advanced degree experience a significant wage gap compared with their white counterparts.

Benefits gaps

Not only is Black worker pay significantly less than that of their white counterparts, but their benefits are as well. Along with health insurance, two benefits are acutely important at this particular time: paid sick days and the ability to work from home. These two workplace benefits help shield workers from economic losses by allowing them to take paid time off to care for themselves or family members and allowing them to stay out of harm’s way and still earn a paycheck by working from home.

Given what we know about job losses and essential workers, it’s not surprising that significantly fewer Black workers can telework than white workers. Fewer than one in five Black workers in the pre-pandemic economy were able to work from home, compared with 30% of white workers. Black workers were also less likely than white workers to have paid sick leave (58.7% vs. 66.6%). This inability to keep their jobs and stay safe makes it even harder for Black workers to maintain economic and health security during this difficult time.

Lower household incomes and higher poverty rates

Significant gaps in both employment opportunities and wage levels translate into lower incomes and higher poverty rates in the pre-pandemic economy, as shown in Figure D.

In 2018, median household income for white households was 70% higher than for Black households ($70,642 vs. $41,692). On top of decades of preferential wealth accumulation for white families versus Black families, lower incomes are one of the reasons that Black families haven’t been able to build up savings to weather storms such as the one our country finds itself in today.

At the bottom of the income distribution, the Black poverty rate is two-and-a-half times the white poverty rate. One in five Black people in this country live below the poverty line—that’s below about $26,000 annual income for a family of four. Job loss for those living at such low incomes is absolutely shattering.

Less cash reserves

On top of lower wages and incomes and higher poverty rates, Black families have
Figure C

Black–white wage gaps are wide no matter how you slice the data

Average wages of black and white workers, by gender, wage percentile, and education, 2019

<table>
<thead>
<tr>
<th></th>
<th>Black</th>
<th>White</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Overall</strong></td>
<td>$21.05 (73.4%)</td>
<td>$28.66</td>
</tr>
<tr>
<td><strong>By gender</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Men</td>
<td>$20.60 (70.7%)</td>
<td>$29.13</td>
</tr>
<tr>
<td>Women</td>
<td>$18.61 (83.3%)</td>
<td>$22.35</td>
</tr>
<tr>
<td><strong>By wage percentile</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10th</td>
<td>$9.61 (91%)</td>
<td>$10.56</td>
</tr>
<tr>
<td>Median</td>
<td>$16.12 (75.6%)</td>
<td>$21.32</td>
</tr>
<tr>
<td>95th</td>
<td></td>
<td>$47.94 (65.3%)</td>
</tr>
<tr>
<td><strong>By education</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High school</td>
<td>$16.37 (81.7%)</td>
<td>$20.04</td>
</tr>
<tr>
<td>College</td>
<td>$27.81 (77.5%)</td>
<td>$35.90</td>
</tr>
<tr>
<td>Advanced degree</td>
<td>$37.33 (82.4%)</td>
<td>$45.29</td>
</tr>
</tbody>
</table>

Note: White refers to non-Hispanic whites, black refers to blacks alone.

Black households have lower incomes and higher rates of poverty than white households

Real median household income and overall poverty rate, by race, 2018

<table>
<thead>
<tr>
<th></th>
<th>Real median household income</th>
<th>Overall poverty rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Black</td>
<td>$41,692</td>
<td>20.7%</td>
</tr>
<tr>
<td>White</td>
<td>$70,642</td>
<td>8.1%</td>
</tr>
</tbody>
</table>

Notes: White refers to non-Hispanic whites, black refers to blacks alone. Black households are households in which the head of household is black. White households are households in which the head of household is white. The poverty rate is the share of people whose family income is below the official family-size-adjusted poverty threshold.


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significantly less access to liquid assets than white families. It’s been long established that Black families face a large and persistent wealth gap. Economist William Darity Jr. and others have shown that no matter how it’s measured, the racial wealth gap is large and persistent. To weather a financial loss, families often must dip into their liquid assets to pay for their living expenses. If they lose their job or experience a serious health shock, their only hope of making ends meet and continuing to pay their rent or mortgage and put food on the table is to rely on their savings. Wealth is often tied up in housing assets, particularly for Black families, and therefore is inaccessible when dealing with sudden and large losses in income.

Figure E below displays one component of wealth, the total value of all transaction accounts for Black and white families. Transaction accounts include checking or savings accounts, cash, prepaid cards, and directly held stocks, bonds, and mutual funds. These are assets that can quickly be used to purchase goods and services, unlike less liquid sources of wealth like homeownership or assets in 401(k)s. Overall, white families hold, on average, more than five times as much liquid assets as Black families do, $49,529 versus $8,762. This makes white families far more capable of weathering the storm of COVID-19, whether it be job loss or another financial hit.

The attainment of higher education does not bridge this divide. This gap remains large when we compare white and Black families whose heads of household have the same level of education. In fact, the absolute gap in liquid assets between Black and white families is far larger among those with a college degree or more versus those with less
Black families have significantly less cash reserves to draw upon than white families

Total value of all transaction accounts, for black and white families, by education, homeownership, and employment sector (mean values, 2016 dollars)

Notes: White refers to non-Hispanic whites, black refers to blacks alone. Transaction accounts include checking or savings accounts, cash, prepaid cards, and directly held stocks, bonds, and mutual funds. Industry classifications 1 include mining, construction, and manufacturing. Industry classifications 2 include transportation, communications, utilities and sanitary services, wholesale trade, finance, insurance, and real estate. Industry classifications 3 include agriculture, retail trade, services, and public administration. Race is the race of the survey respondent; industry classifications are for head of household. Education is the education level of the head of household.

Source: EPI analysis of Federal Reserve 2016 Survey of Consumer Finances combined extract data accessed from the UC Berkeley Survey Documentation and Analysis website. The 2016 survey is the most recent survey available.

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than a college degree. White families headed by a college-degree holder have nearly five times the access to money in transaction accounts as similarly degreed Black families. The gap persists whether the Black family owns a home or not. The gaps in liquid assets differ by what sector the family head works in, but no matter how the data are cut, white families have far more access to liquid wealth.

It is not surprising then that research by Ganong et al. finds that income volatility has a
much greater impact on the spending of Black households than white households. They report that these differences in ability to smooth consumption lead to a 50% reduction in Black families’ ability to spend on essential goods and services as compared with white families when they are faced with similar income losses.  

Policy divides: The fallacy of race-neutral policy is further exposed by COVID-19

The once-in-a-generation challenges presented by the coronavirus have required leaders in government and private industry to respond quickly in order to minimize the threat to public health as well as the economic harm. Consistent with the scale of the crisis, many of the actions taken have been widespread in terms of the number of people helped, and the magnitude of the interventions has been unprecedented. Still, even such a broad-reaching response can yield uneven results for many of the reasons I have laid out in my testimony.

The first step, therefore, is for policymakers to recognize that no policy is truly race-neutral. Even when a policy is race-neutral on its face, the implementation of that policy often is not because it is being applied to racially stratified social and economic structures. All policy essentially shapes how the nation’s income and wealth will flow and, as a result, how access and opportunity will flow. Equitably shared opportunity and prosperity starts with a careful assessment of social and economic conditions across all affected communities prior to policy development, but it doesn’t end there. You must also closely monitor whether that policy is having the intended effects post-implementation.

By centering the needs of those who face the greatest economic harm, the overall effectiveness of any policy response is likely improved as it serves to minimize disparities by race, ethnicity, gender, and class. This requires the consistent collection of reliable data on economic and social conditions by race, ethnicity, and gender, among other important demographic categories, that can be used to inform and improve upon the federal response.

Second, a robust economic recovery is directly tied to our ability to secure the health and safety of communities and workplaces across the country. A recent Washington Post–Ipsos poll found that nearly 60% of workers who are working outside of their homes were concerned about the possibility of exposure to COVID-19 while on the job. For Black and Hispanic workers, the concern was even greater (68% and 72%, respectively). Even more troubling are the findings of a National Employment Law Project (NELP) survey indicating that Black workers were more than twice as likely as white workers to have seen possible retaliation by their employer when concerns were voiced about safety at work. OSHA must step in and exercise its authority to protect these workers by issuing an emergency temporary standard that addresses the specific workplace health and safety risks associated with COVID-19, as directed in the COVID-19 Every Worker Protection Act included in the Heroes Act (H.R. 6800), which also prohibits employers from retaliating against workers who voice their concerns.

The pandemic has exposed clear shortcomings in our public health infrastructure, but
these are also opportunities for creating good jobs that meet many of our most immediate public health needs. Provisions in the Heroes Act to expand testing capacity in underserved communities, and develop a national system of testing and contact tracing, seize upon these opportunities. Targeting these efforts in high-unemployment and high-poverty communities serves the dual purpose of providing employment as well as adequate access to testing and other critical health services necessary for healthy communities.

Third, provisions in the CARES Act that temporarily expanded eligibility and enhanced Unemployment Insurance (UI) benefits have been a critical lifeline for unemployed workers. Money spent on continuing crucial unemployment insurance provisions will help avoid far more serious and persistent damage to the economy resulting from prolonged high unemployment. According to an economic impact analysis by economist Mark Zandi, under the Heroes Act, spending on UI benefits has one of the largest bang-for-the-buck effects on the national economy—a dollar provided in UI benefits will generate $1.46 in GDP one year later. This bang for the buck is second only to spending on food assistance, estimated at $1.67.

The expiration of expanded UI and other critical support provisions, however, should be tied to automatic triggers that are measurable and reliable indicators of labor market strength. Decisions about the best and most accurate measure of the nation’s progress toward recovery should also take account of disparate rates of recovery by race, ethnicity, and gender.

Prior to the pandemic, workers of color were already more likely to be uninsured than white workers. But the loss of employment means loss of health insurance for many more workers. As of May 9, an estimated 16.2 million workers likely lost their employer provided health insurance as a result of unemployment. The Heroes Act and the recently introduced Medicare Crisis Program Act help to address the need for comprehensive health insurance with full coverage for COVID-19 testing and treatment, as well as paid sick leave and paid family leave. This includes federal funding for extensions of Medicare and Medicaid to all those suffering job losses during the pandemic period, federal funding to pay for all of COBRA coverage so that workers who are laid off or furloughed may continue their employer-provided coverage, and eliminating exemptions in the Family First Coronavirus Response Act that left millions of private-sector workers without access to vital paid sick days.

Finally, worker power is about expanding the set of options available to workers so that they are in a position to exert their right to earn a decent living by having a job with good pay and benefits (including equal pay and equal opportunity), decent hours, and safe working conditions. At a minimum, that means creating a stronger, more stable labor market through consistent full employment, and strengthening worker voice and enforcement of existing protections.

The policies mentioned above contribute to these aims in light of the current situation and immediate needs raised by the pandemic. But in looking toward rebuilding a “better than normal” economy with more widely shared prosperity, the following are pillars for
establishing a solid foundation:

- The Fed should prioritize low unemployment.
- As a complement to monetary policy, fiscal policy should prioritize investments that create jobs in high-unemployment and high-poverty communities.
- We must strengthen the rights of workers to organize, join unions, and collectively bargain, as directed in the PRO Act, passed by the House of Representatives in February 2020.
- We must strengthen enforcement of anti-discrimination laws and policies through banning the use of forced arbitration agreements as a condition of employment, prohibiting employers from asking potential employees about pay history, and requiring employers to provide greater pay transparency.
- We must update existing labor standards so that they continue to provide a robust floor for job quality, including increases to the minimum wage, as provided in the Raise the Wage Act of 2019, preventing further erosion of the federal overtime salary threshold, and elimination of exclusions to basic labor standards that are historically rooted in racial exclusion and discrimination.

Conclusion

The global impact of COVID-19, both in lives lost and economic devastation, is likely to leave a lasting mark for years to come. The best path forward includes making sure that we use the painful lessons learned during this crisis to better prepare ourselves for the next one. The disparate racial impact of COVID-19 should come as no surprise given the ongoing legacy of racism that continues to produce unequal outcomes affecting nearly every aspect of life in the United States. If we are to protect Black, Latinx, and Native American communities from suffering under the same needlessly heavy burden during the next economic or public health crisis that they are suffering under now, we must work diligently to address long-standing underlying racial disparities in economic and health outcomes.

Endnotes


2. The Bureau of Labor Statistics has published guidance acknowledging that official unemployment rate likely understates the extent of job loss and economic pain. Based on this guidance, an “adjusted” unemployment rate of 19.7% in May can be calculated, which includes those who are officially unemployed, the misclassified (the excess number of those who reported that they were employed but not at work for other reasons), and those who had been employed but left the labor force when the virus hit but would otherwise have been counted as unemployed if they were
actively seeking work.


